

As I See It: Why Worcester for college savings program?

By Deborah B. Goldberg

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Worcester is the “Heart of the Commonwealth,” a city known for its creativity, innovation and cultural diversity. With 13 colleges and universities in the region, it is hard to walk down any street without seeing the impact of higher education. Yet many residents of this historic city face a very serious challenge – the rising cost of education. Coupled with wage stagnation, saving for college is increasingly more difficult for many families. That is why the State Treasurer’s Office has created a unique college savings program and is launching its pilot in Worcester tomorrow.

The program, called “SeedMA,” will be available to all kindergartners entering the Worcester Public Schools next September. Each child will receive a commitment of \$50 to cultivate a 529 college savings account for them at the start of the 2016-2017 school year. At kindergarten registration, parents will receive a form to open the 529 account and the \$50 will automatically be deposited in their child's name. The \$50 deposits in Worcester's pilot program are being funded through a grant from Santander Bank and other donations. The accounts are offered through the Massachusetts Educational Financing Authority's U. Fund, which is sponsored by the commonwealth and managed by Fidelity Investments. About 2,200 children are expected to be enrolled in kindergarten next year.

Whatever the outcome of the pilot, the accounts and the initial \$50 and subsequent deposits by the family will remain in each child's name going forward. The intent of the program is to foster continuing deposits in preparation for college or post-secondary school enrollment.

SeedMA has three important long-term goals. First, it aims to increase the percentage of children saving for higher education in the city of Worcester. Second, it seeks to deliver high-quality financial education programming to students and their families, building a culture centered around saving for the future and employing prudent budget management. Third, these accounts have been proven not only to create aspirations for college admission but to actually boost post-secondary enrollment and graduation rates. The ultimate result is higher paying jobs. Families will receive more information about SeedMA at kindergarten registration and can sign up for accounts at the beginning of the school year. Children entering kindergarten later in the year will have the same opportunity.

We chose Worcester because it is a city with an unmistakable commitment to academic achievement. The culture of higher education in Worcester makes the city a natural fit for our pilot program. It is clear that the path for most Americans to economic mobility starts with a post-secondary education and training. Research shows that millennials aged 25 to 35 with

college degrees earn 60 percent more and have an unemployment rate three times lower than millennials without a college education.

In a city like Worcester, where the median income is below the state's average, increasing access to higher education will help expand economic opportunity and economic stability both for individuals and for the city as a whole. Furthermore, as the second-largest city in Massachusetts as well as in New England, and with its central location, Worcester provides a demographic cross section of the entire commonwealth. The tremendous diversity of people and industry makes Worcester uniquely positioned to take the lead in this ambitious effort.

With regular deposits over 12 to 13 years, the funds will accumulate tax free and enable qualified withdrawals to pay for college without being subject to federal or state income taxes.

SeedMA will complement Worcester's already innovative approach to college affordability under the Worcester 30K Commitment Partnership, which is providing affordable options for public higher education through a new partnership including Fitchburg State University, Mount Wachusett Community College, Quinsigamond Community College and Worcester State University. The program provides the opportunity to earn an associate's and bachelor's degree for \$30,000 in four years. Not only is this program one of the most affordable in the Northeast but creates a pipeline for residents to attain economic prosperity. The Treasurer's Office looks forward to partnering with the city to implement this additional unique initiative to promote educational opportunity.

Our work is part of a larger mission to provide Massachusetts' next generation of leaders with the tools they need to achieve financial stability. In upcoming months, the results of the Worcester savings pilot will inform our efforts to create a standard that can be used to implement SeedMA across the state. Meanwhile, we are excited that in Worcester, we are planting the initial seeds for growing success.

Deborah B. Goldberg of Brookline is the Massachusetts State Treasurer and Receiver General, serving her first four-year term following her election last year.